CHAPTER SIX

DASA BARS SUPPLEMENT AND FISCAL POLICIES

Revised July 2005

Budgeting, Accounting and Reporting System (BARS)

Supplementary Instructions

Division of Alcohol and Substance Abuse

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Administered by the Department of Social and Health Services

Effective July 2005

JULY 2005

PART II: CHART OF ACCOUNTS Expenditure Account Definitions

566.10 ADMINISTRATION

Administration costs includes County Department Program Administration, Continuing Education, and Agency Administration.

566.11 COUNTY DEPARTMENT PROGRAM ADMINISTRATION

Costs incurred in supporting substance abuse prevention and chemical dependency treatment services administration within a Human Services or similar county department, or county coordinator's office, for program related operation. Includes such activities as program planning, budgeting and evaluation, plan implementation, program coordination, contract monitoring, and all direct administrative support activities. Also includes support services normally identified with County department program administration. This would include services provided by the County Auditor, Treasurer, Prosecutor, Purchasing Department, Personnel Department, etc., which have been either billed or allocated per a cost allocation plan.

566.12 CONTINUING EDUCATION

Costs incurred in supporting educational programs, training projects, and other professional development programs directed toward improving the professional and clinical expertise of prevention and treatment facility staff. Includes costs of trainers, transportation and per diem expenses, tuition, and other expenses incurred in obtaining training necessary to meet minimum standards and contract requirements.

566.13 <u>DIRECT SERVICE PROVIDER - AGENCY ADMINISTRATION</u>

Costs incurred for agency administration costs when not specifically charged to direct service delivery. Should include overall administration, planning, accounting, record keeping, general clerical support, activities of the agency Board of Directors, etc. This account shall be used by counties that are direct service providers to differentiate from county administration.

566.20 PREVENTION

Prevention services are those programs and services designed to prevent or delay the misuse and abuse of alcohol, tobacco, and/or other drugs (ATOD) through implementation of the Center for Substance Abuse Prevention (CSAP) Strategies and Activities which include information/dissemination, education, alternatives, community based activities, and environmental factors. Prevention services consist of Community-Based Coordination, and direct CSAP Strategies and Activities.

566.21 PREVENTION COMMUNITY-BASED COORDINATION

Coordination of the county's prevention program, generally provided by the county identified prevention specialist. Activities are directed to enhance the ability of the community to effectively provide prevention services for alcohol, tobacco, and other drug abuse. Activities include organizing, planning, and enhancing the efficiency and effectiveness of primary prevention services provided. Appropriate methods include: community and volunteer training, systematic planning (system and program model development), multi-agency coordination and collaboration, accessing services and funding, and community team building.

566.22 CSAP STRATEGIES AND ACTIVITIES

CSAP Strategies and Activities designed to prevent or delay the misuse and abuse of ATOD as described in the County Implementation Guide for Prevention.

566.23 <u>COMMUNITY PREVENTION TRAINING (CPT) AND/OR CHILDREN'S TRANSITION INITIATIVE (CTI)</u>

CPT funds can be used to cover the costs incurred in providing and/or attending training designed to support the increased capacity of the prevention providers to implement Best Practices or Promising Approaches. CTI funds can be used to provide intensive prevention services to youth ages 9 – 16 for twelve consecutive months.

566.30 <u>COMMUNITY OUTREACH, INTERVENTION, AND REFERRAL</u> <u>SERVICES</u>

Activities funded to provide Community Education, Alcohol/Drug Information School, Community Outreach, Intervention, Referral, and Crisis services in the community. Services may be directed toward general or specific population groups.

566.31 COMMUNITY OUTREACH, INTERVENTION AND REFERRAL

Community outreach and intervention covers costs incurred to provide services to identify hard-to-reach individuals who are abusing or addicted to alcohol and other drugs; to link these individuals with chemical dependency assessments; and to enroll these individuals into treatment. Costs incurred in providing information on chemical abuse and addiction, the impact of abuse and addiction on families, treatment of addictions, and treatment resources that may be available. Includes responding to telephonic inquires, and other informational activities both in and out of the treatment facility to individuals, the general public, and community organizations. Services include out-stationing workers at community sites to contact hard to reach individuals; assisting individuals to get assessments and necessary support services. Does not include ongoing therapeutic or rehabilitative services. Referral services include referral to assessment, treatment, interim services, and other appropriate support services.

566.32 ALCOHOL/DRUG INFORMATION SCHOOL

Costs incurred in the provision of Alcohol/Drug Information schools. Alcohol/Drug Information Schools provide information regarding the use and abuse of alcohol/drugs in a structured educational setting. Alcohol/Drug Information Schools must meet the certification standards in WAC 388-805 or its successor.

566.33 <u>OPIATE DEPENDENCY/HIV OUTREACH, INTERVENTION, AND REFERRAL SERVICES</u>

Costs incurred with outreach and referral services to special populations such as opiate dependent, injecting drug users (IDU), or HIV positive individuals. Opiate Dependency/HIV Outreach is specifically designed to encourage injecting drug users (IDUs) and other high-risk groups such as opiate dependent and HIV positive individuals to undergo treatment and to reduce transmission of HIV disease. Includes costs to provide information and skills training to non-injecting, drug using sex partners of IDUs and other high-risk groups such as street youths. Programs may employ street outreach activities, as well as more formal education and risk-reduction counseling. Referral services include referral to assessment, treatment, interim services, and other appropriate support services. Does not include ongoing therapeutic or rehabilitative services.

566.34 PREGNANT AND PARENTING OUTREACH AND REFERRAL SERVICES

Costs incurred to identify pregnant, post-partum, and parenting women who are abusing alcohol and other drugs, for the purpose of facilitating their enrollment into treatment. Services are offered by mobile or other outreach staff at a variety of community sites and includes motivational counseling, substance abuse information and education, referral to assessment, referral to chemical dependency treatment, and linkage with support services. Referral services include referral to assessment, treatment, interim services, and other appropriate support services. Does not include on-going therapeutic or rehabilitative services.

566.35 YOUTH OUTREACH, REFERRAL, AND INTERVENTION SERVICES

Costs incurred to provide services to identify youth who are abusing alcohol and other drugs, to link these individuals with chemical dependency assessment, and to enroll these individuals into treatment. Services include out-stationing workers at community sites to contact hard-to-reach youth; assisting youth to get assessments and necessary support services and to enroll into treatment. Referral services include referral to assessment, treatment, interim services or other appropriate support services. Does not include ongoing therapeutic or rehabilitative services.

566.36 INTERIM SERVICES

Costs incurred for services offered a person denied admission to a treatment program on the basis of the lack of the capacity of the program. This service shall reduce the adverse health effects of substance abuse, promote the health of the individual, and reduce the risk of transmission of disease. Such services are provided until the individual is admitted to a treatment program. Services include brief screening activities, the development of a service plan, individual or group contacts to assist the person either directly or by way of referral in meeting his/her basic needs, updates to advise him/her of treatment availability, and information to prepare him/her for treatment, counseling, education, and referral regarding HIV and tuberculosis.

566.40 TRIAGE SERVICES

Services provided as crisis services such as emergency interventions, other crisis situations, Detox and sobering services, and involuntary commitment services. Detox and sobering services are designed to assist patients in withdrawing from substance abuse, and providing emergency shelter, screening, and referral services to people who need to sleep off the effects of alcohol or other drugs.

566.41 CRISIS SERVICES

Costs incurred to provide emergency interventions, such as overdose management, alcohol or drug related family crises, or assistance to intoxicated or incapacitated individuals on the streets or in other public places. Services include any of the following activities on a very short term basis: general assessment of the client's condition, an interview for diagnostic or therapeutic purposes, and transportation home or to an approved treatment facility. Services may be provided by telephone or in person, in a facility or in the field, and may or may not lead to ongoing treatment. Does not include the costs of ongoing therapeutic services.

566.42 DETOXIFICATION SERVICES

Costs incurred for care and treatment of patients while the patient recovers from the transitory effects of acute or chronic intoxication or withdrawal from alcohol or other drugs. Examples of Detox are:

- (1) Acute Detox: a method of withdrawing a patient from alcohol or other drugs where nursing services and medications are routinely administered under physician supervision to facilitate the patient's withdrawal, and
- (2) Sub-acute Detox: a method of withdrawing a patient from alcohol or other drugs utilizing primarily social interaction between patients and staff within a supportive environment designed to facilitate safety for patients during their recovery from the effects of withdrawal from alcohol or other drugs.

566.43 SOBERING SERVICES

Costs incurred for shelter services designed to provide short-term (12 hours or less) emergency shelter, screening, and referral services to persons who need to sleep off the effects of alcohol. Services include medical screening, observation and referral to continued treatment and other services as appropriate.

566.44 INVOLUNTARY COMMITMENT

Costs incurred for services employed to identify and evaluate alcohol and drug involved individuals requiring protective custody, detention, or involuntary commitment services in accordance with RCW 70.96A.120-140. Costs include case finding, investigation activities, assessment activities, and legal proceedings associated with these cases.

566.50 ASSESSMENT AND TREATMENT SERVICES

Services funded to provide Residential Treatment, Outpatient Treatment, and Opiate Substitution services, in accordance with the ASAM patient placement criteria. Assessment services are included under treatment codes except for ADATSA assessment and DUI assessment.

566.51 ADATSA ASSESSMENT AND MONITORING

Costs incurred in diagnosis, placement, and case monitoring of persons who apply for services under the Alcoholism and Drug Abuse Treatment and Support Act (ADATSA) and other eligible clients as defined in contracts issued by the Division of Alcohol and Substance Abuse (DASA). Does not include treatment costs, protective payee, or shelter costs for such clients.

566.52 DUI ASSESSMENT

Costs incurred for assessments for persons arrested for driving under the influence (DUI) or actual physical control offenses. In these cases, assessment services must meet the program approval standards for this service outlined in WAC 388-805 or its successor.

566.55 ADATSA OUTPATIENT TREATMENT

Costs incurred for services, which provide non-domiciliary/non-residential chemical dependency treatment to ADATSA patients. Outpatient treatment services must meet the criteria in the specific modality provisions set forth in WAC 388-805. Costs incurred for accounting and disbursing funds as custodian, trustee, or protective payee. Services are specific to a special client population.

566.56 OUTPATIENT TREATMENT, GENERAL

Costs incurred for services that provide non-domiciliary/non-residential chemical dependency assessments and treatment to patients. Includes services to family and significant others of persons in treatment. Does not include services to family or significant others of a person not currently in treatment. These expenses should be coded as family support services. Outpatient treatment services must meet the criteria in the specific modality provisions set forth in WAC 388-805.

566.57 <u>OUTPATIENT TREATMENT, PREGNANT, POSTPARTUM, OR</u> PARENTING WOMEN (PPPW)

Costs incurred for services that provide non-domiciliary/non-residential chemical dependency assessment and treatment to women who are pregnant or postpartum (up to one year past delivery, regardless of birth outcome, adoption

or foster care placement of child) and women with dependent children. Includes services to family and significant others of persons in treatment. Does not include services to family or significant others of a person not currently in treatment. These expenses should be coded as family support services. Outpatient treatment services must meet the criteria in the specific modality provisions set forth in WAC 388-805.

566.58 OUTPATIENT TREATMENT, YOUTH

Costs incurred for services that provide non-domiciliary/non-residential chemical dependency/abuse assessment and treatment to youth and young adults ages 10 through 20. Includes services to family members of persons in treatment. Does not include services to family members of a person not currently in treatment. These expenses should be coded as family support services. Outpatient treatment services must meet the criteria in the specific modality provisions set forth in WAC 388-805.

566.59 OPIATE SUBSTITUTION TREATMENT SERVICES

Costs incurred in providing assessment and treatment services to opiate dependent clients. Services include prescribing and dispensing of methadone or other DASA approved substitute drug in opiate substitution services approved in accordance with WAC 388-805 or its successor. Both detoxification and maintenance are included, as well as physical exams, clinical evaluations, individual or group therapy for the primary client and their family or significant others, guidance counseling, and educational and vocational information.

566.60 SUPPORT SERVICES

Services to support persons seeking and participating in alcohol and drug abuse services. Support services include Family Support Services, Transportation, ADATSA Living Stipends, Case Management, Child Care, and Youth Supervised Recreation.

566.61 FAMILY SUPPORT

Costs incurred for information, education, intervention, and other supportive services, provided in a group or individual setting, to individuals who have significant personal relationships (e.g., sibling, child, parent or spouse) with an alcoholic or drug addict not currently in treatment. Does not include services to significant others of a client currently in treatment, which are coded as collateral to that treatment.

566.62 TRANSPORTATION

Costs incurred for services employed to transport clients to and from chemical dependency treatment programs.

566.63 ADATSA LIVING STIPENDS

Funds dispersed to clients found eligible and authorized for ADATSA living stipends through an ADATSA Assessment Agency. Funds must be dispersed and accounted for in accordance with requirements described in contract.

566.64 CASE MANAGEMENT - GENERAL

Costs incurred for clients assessed as needing treatment to provide case planning, case consultation and referral services, and other support services for the purpose of engaging and retaining clients in treatment or maintaining clients in treatment. Does not include treatment planning activities required in WAC 388-805. Case management services are services provided by a Chemical Dependency Professional (CDP), CDP Trainee, or person under the clinical supervision of a CDP who will assist clients in gaining access to needed medical, social, educations, and other services. Does not include direct treatment services in this sub-element.

566.65 CASE MANAGEMENT, PPPW

Costs incurred for clients assessed as needing treatment to provide case planning, case consultation and referral services, and other support services for pregnant and parenting women for the purpose of engaging and retaining clients in treatment or maintaining clients in treatment. Does not include treatment planning activities required in WAC 388-805. Case management services are services provided by a CDP, CDP Trainee, or person under the clinical supervision of a CDP who will assist clients in gaining access to needed medical, social, educations, and other services. Does not include direct treatment services in this sub-element.

566.66 CASE MANAGEMENT, YOUTH

Costs incurred for clients assessed as needing treatment to provide case planning, case consultation and referral services, and other support services for youth for the purpose of engaging and retaining clients in treatment or maintaining clients in treatment. Does not include treatment planning activities required in WAC 388-805. Case management services are services provided by a Chemical CDP, CDP Trainee, or person under the clinical supervision of a CDP who will assist clients in gaining access to needed medical, social, education, and other services. Does not include direct treatment services in this subelement.

566.67 CHILD CARE SERVICES

Costs incurred to provide child care services for children of clients in treatment when needed to complete the parent's plan for chemical dependency treatment services. Childcare services must be provided by licensed childcare providers or by providers operating in accordance with the provisions set forth in WACs published by the Department of Health and Children's Administration for the provision of child care services.

566.68 SUPERVISED THERAPEUTIC RECREATION FOR YOUTH

Costs incurred to provide supervised recreational activities in conjunction with a chemical dependency treatment plan as part of an outpatient program.

566.69 BRIEF THERAPY

Costs incurred for a program of care and treatment that provides a systematic, focused process that relies on assessment, client engagement, and rapid implementation of change strategies. Brief therapy usually features five to twelve counseling sessions, the goal of which is to provide clients with tools to change basic attitudes and deal with a variety of underlying problems.

566.70 HOUSING SUPPORT SERVICES

Services funded to provide to chemically dependent persons. Services include Oxford House Support and Pregnant and Postpartum Women's Transitional Housing Support Services.

566.72 OXFORD HOUSE SUPPORT

Costs incurred in providing administrative activities to establish and maintain Oxford houses within communities. Does not include direct costs for rent, utilities or other living expenses.

566.73 PREGNANT, POST PARTUM, OR PARENTING WOMEN'S HOUSING SUPPORT SERVICES

Costs incurred for support services to pregnant, postpartum, and parenting women in a transitional housing residential program designed exclusively for such clients. Includes costs of facilitating contacts and appointments for community resources for medical care, financial assistance, social services, vocational, childcare needs, outpatient treatment services, and permanent housing services. Does not include services to family or significant others of a person currently not in transitional housing. These cases would be coded as Family Support services.

566.80 RESIDENTIAL TREATMENT SERVICES

Services to provide chemical dependency treatment for patients and include room and board in a twenty-four-hour-a-day supervised facility.

566.81 INTENSIVE INPATIENT RESIDENTIAL TREATMENT SERVICES

Costs incurred for a concentrated program of chemical dependency treatment, individual and group counseling, education, and related activities for alcoholics and addicts including room and board in a twenty-four-hour-a-day supervised facility in accordance with WAC 388-805 or its successor.

566.82 LONG-TERM CARE RESIDENTIAL TREATMENT SERVICES

Costs incurred for the care and treatment of chronically impaired alcoholics and addicts with impaired self-maintenance capabilities including personal care services and a concentrated program of chemical dependency treatment, individual and group counseling, education, vocational guidance counseling and related activities for alcoholics and addicts including room and board in a twenty-four-hour-a-day supervised facility accordance with WAC 388-805 or its successor.

566.83 RECOVERY HOUSE RESIDENTIAL TREATMENT SERVICES

Costs incurred for a program of care and treatment with social, vocational, and recreational activities designed to aid alcoholics and addicts in the adjustment to abstinence and to aid in job training, reentry to employment, or other types of community activities, including room and board in a twenty-four-hour-a-day supervised facility accordance with WAC 388-805 or its successor.

566.84 INVOLUNTARY RESIDENTIAL TREATMENT SERVICES

Costs incurred for a program of care and treatment of alcoholics and addicts who are involuntarily committed to chemical dependency treatment under the provisions of RCW 70.96A and individuals who meet these commitment criteria but who are best served by voluntarily agreeing to treatment in lieu of commitment. Treatment services provided shall enhance and promote physical, emotional, and spiritual restoration of each client.

566.85 PREGNANT OR PARENTING WOMEN RESIDENTIAL TREATMENT SERVICES

Costs incurred for services to pregnant, postpartum and parenting women designed to address the issues specific to such clients. Services will include a concentrated program of individual and group counseling, education, personal care services, and activities for alcoholics and addicts and their families, including room and board in a twenty-four-hour-a-day supervised facility, in accordance with WAC 388-805 or its successor.

566.90 OTHER SERVICES

This series is reserved for special projects and activities that are out of the ordinary, to be used only as directed by the department.

566.91 OUTSTATION CD COUNSELOR

Costs incurred for the co-location of chemical dependency professionals in state agencies that provides a cross-disciplinary approach due to an on-site linkage. Purpose is to enhance the working relationship between State agencies and chemical dependency treatment agencies and create a culture that validates the importance of recognizing and treating chemical dependency as a step toward self-sufficiency and stabilizing the family unit.

566.92 GROUP CARE ENHANCEMENT

Costs incurred to outstation chemical dependency professionals in group care facilities to develop and provide chemical dependency/substance abuse services and to integrate these services within the host sites overall program model and agency organization. Chemical dependency professionals will deliver chemical dependency treatment and prevention services in the overall treatment culture of each host site facility.

566.93 RESEARCH AND TRAINING

Costs incurred to provide special research or training projects contracted by DASA.

566.94 TOBACCO INITIATIVES

Costs incurred to provide special projects devoted to implementing and/or administering tobacco-related compliance monitoring. Projects related to the monitoring of retail outlets not selling tobacco products to minors.

566.95 SCREENING TESTS

Costs incurred to provide screening tests for the use of drugs or alcohol through testing processes such as urinalysis or breathalyzers. There is a maximum limit of eight tests per month for any individual.

566.96 ACCESS TO RECOVERY

Services provided to clients of the Access to Recovery program as detailed in the client's preauthorized voucher and subsequent additions to that voucher. All services must relate specifically to the client's chemical dependency assessment approved by the Recovery Support Specialist, invoiced to the county and supported by both service provision details as well as required data (per Substance Abuse Mental Health Services Administration-Government Performance Reporting Act).

566.99 MISCELLANEOUS

Costs incurred for special projects and activities that cannot correspond to any other BARS code. If the project or activities within the project can be related to any other BARS code, the costs cannot be entered into this BARS code. The entry of any costs in this BARS must have agreement of the DASA Regional Administrator.

FISCAL POLICIES STANDARDS FOR REIMBURSABLE COSTS

The following Standards for Reimbursable Costs represents a compilation of definitions and principles from the State of Washington Office of Financial Management's State Administrative and Accounting Manual (SAAM), the federal Office of Management and Budget's Circular A-122 Cost Principles for Non-Profit Organizations, and Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments. These standards are provided solely as technical assistance and are not intended to circumvent the Contractor's need to follow the referenced rules.

DEFINITIONS

The following terms and phrases shall have the meanings indicated when used in this exhibit, except where the context clearly requires otherwise.

- (1) "Acquisition cost" shall mean the net cost of equipment, including the costs for modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment useable for the purpose for which it was acquired.
- (2) "Arm's length transaction" shall mean a transaction resulting from good faith bargaining between a buyer and a seller, where the parties have adverse positions in the marketplace.
- (3) "Contractor or subcontractor property" shall mean property used in performance of a contract which is not departmental property.
- (4) "Cost" shall mean the historical amount of money involved in a transaction which decreases an asset or increases a liability, whether recognized on a cash or accrual basis. Cost shall not include repayments of borrowing, expenditures to acquire assets, distributions to owners, and corrections to prior periods. Corrections to prior periods are included as costs in that prior period.
- (5) "Cost related or cost reimbursement" shall mean a contract or subcontract where the amount of payment being made is related to the actual costs of the subcontractor or a class of subcontractors to perform the contract, subject to ceilings, allowances, limitations and conditions adopted by the Department, but without regard to the method of payment.
- (6) "Cost related subcontractor" shall mean a subcontractor that has a cost related subcontract.
- (7) "Customary charge" shall mean the average charge for a similar service, activity or procedure for non-departmental clients or purchasers by providers whose training and experience is similar to the contractor or subcontractor and are located in the same area. The area considered in determining customary charge shall be as large as necessary to provide a reasonable measure of the market for such services, activities or procedures.
- (8) "Department" shall mean the Department of Social and Health Services.
- (9) "Departmental clients" shall mean individuals who receive or benefit from services or activities for which the contractor was reimbursed in part or entirely by the Department.

- (10) "Departmental funds" shall mean any funds paid by the Department to a contractor, including funds passed through to subcontractors without regards to the source of those funds. Departmental funds include federal funds which pass through the Department.
- (11) "Departmental property" shall mean property owned by the Department, and property for which title is vested in the Department.
- "Equipment" means an article of non-expendable tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. Items not meeting this definition shall not be classified as equipment. Purchase of equipment must be approved in advance by the contract manager.
- (13) "Fee For Service" shall mean a payment method that reimburses the contractor or subcontractor a negotiated fixed rate of pay based on performance of a defined unit of service such as per treatment, per hour or per session.
- (14) "Personal property" shall mean property of any kind except real property, either tangible or intangible.
- (15) "Price related " shall mean a contract or subcontract where the amount of reimbursement is related to market prices for services, and without consideration of the contractor's or subcontractor's actual or anticipated costs.
- (16) "Real property" shall mean land, land improvements, structures, and appurtenances thereto, but excluding movable machinery and equipment.
- (17) "Subcontract" shall mean any agreement for compensation between the contractor and a subcontractor, or between a subcontractor and another subcontractor, to provide property, services or construction needed in performance of the contract.
- (18) "Subcontractor" shall mean any person, partnership, corporation, association or organization, not in the employment of the contractor, who has a subcontract agreement directly with the contractor or a subsequent tier subcontract agreement with an intermediate subcontractor.
- (19) "Supplies" shall mean tangible personal property other than equipment.
- (20) "Third party" shall mean an individual or organization other than the Department, the contractor, any subcontractor or any departmental client.
- (21) "Usual charge" shall mean the charge which the contractor or subcontractor most frequently charges non-departmental clients or purchasers for a similar service, activity or procedure.
- "Working capital" shall mean a fund balance accumulated and maintained for a period of more than twelve months, or remaining at the termination or expiration of a contract, which is not segregated in a reserve account and is used primarily to maintain the entity's cash flow.

REIMBURSABLE COSTS

- (1) Reimbursable costs shall include costs which are necessary for the proper and efficient performance of the contract, are reasonable and allocable to the contract and are allowable under the provisions of this exhibit.
- (2) Reimbursable costs include costs incurred in paying subcontractors for fulfilling or assisting the contractor to fulfill the contractor's obligations to the Department.
 - (a) If the subcontract is price related, the reimbursable cost of the subcontract shall be the share of payments to the subcontractor which equals the usual charge or the customary charge, whichever is less. If the subcontractor has only departmental clients, the reimbursable cost shall be the share of payments to the subcontractor which equal the customary charge.
 - (b) If the subcontract is cost related, the reimbursable cost of the subcontract shall be the share of payments to the subcontractor for subcontractor costs which are necessary for the proper and efficient performance of the contract, are reasonable and allocable to the subcontract and are allowable under the provisions of this exhibit. If the cost-related subcontractor is a for-profit entity, reimbursable costs may also include payments for ordinary profit, provided such profit is computed on a basis other than a percentage of contract costs. Costs used to determine subcontract payments may be either actual costs during the contract period or estimated costs for the contract period based on actual costs in a prior period, and may be either costs of the subcontractor or costs of a class or subclass of facilities providing similar services, activities or procedures.
 - (c) If the subcontractor is fee for service, the reimbursable cost of the subcontract shall be the share of the payments based on an established rate structure set by laws, regulation or policy, or may be based on cost information provided by the contractor during a competitive solicitation or contract negotiations.

REASONABLENESS

- (1) A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent and reasonable person under circumstances prevailing at the time the decision was made to incur the cost.
- (2) In determining the reasonableness of a given cost, the following shall be given careful consideration:
 - (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the contractor or the performance of the contract.
 - (b) Whether the cost was incurred after the contractor complied with sound business practices, including arm's length bargaining.
 - (c) Whether the contractor acted with prudence in the circumstances considering its responsibilities to the organization, its members, employees, clients, the public at large, and the Department.

(d) Whether the contractor deviated from established practices of the contractor, which may unjustifiably increase the cost.

ALLOCABLE COSTS

- (1) A cost is allocable to the contract if all of the following conditions are met:
 - (a) It is assignable or chargeable to the contract in accordance with the relative benefit received because either:
 - (i) It was incurred specifically and solely for the performance of the contract; or
 - (ii) It benefits both contract and non-contract objectives and can be distributed between them in reasonable proportion to the benefits received; or
 - (iii) It is necessary for the overall operation of the contractor even if a direct relationship to the contract cannot be shown.
 - (b) It is not allocable to or included as a cost of any other contract, grant, agreement or program in either the present or any prior period, or used as cost-sharing or matching for another contract or grant, except when the contract specifically authorizes such duplicate allocation.
 - (c) It is accorded consistent treatment with costs of a similar nature.
- (2) Contract-Specific Direct Costs: If a cost is allocable to the contract pursuant to subsection (I)(a)(i) of this section, the entire amount may be charged to the contract.
- (3) Shared Direct Costs: If a cost is allocable to the contract pursuant to subsection (I)(a)(ii) of this section, the charge shall be considered to be in reasonable proportion to the benefits received if the charge is based on time distribution records, random moment time samples, equivalent work units, or space utilization. Other equitable methods may be used with the prior approval of the Department. Allocation of charges based on revenue distribution is not an acceptable method.
- (4) Indirect Costs: If a cost is allocable to the contract pursuant to subsection (I)(a)(iii) of this section, the charge shall be considered to be in proportion to benefits received if it is based on the total distribution of costs allocated pursuant to subsections (2) and (3) of this section, or if it is based on staff time directly spent in contract and non-contract activities. Other equitable methods may be used with the prior, written approval of the Department.
- (5) Contractors and cost-related subcontractors shall maintain a current cost allocation plan describing how costs are allocated.
- (6) Department approvals required in subsections (3) and (4) of this section shall be obtained by submitting a cost allocation plan to the contract manager. The cost allocation plan shall identify the period of time covered by the plan, the cost items to be allocated, the allocation method, the program areas to which costs are allocated, and the resulting allocations using budgeted costs. Copies of indirect cost allocation plans submitted for federal grant purposes may be used to apply for Department approval under subsection (4) of this section.

ALLOWABLE COSTS

A cost is allowable if:

- (1) It is authorized or not prohibited by federal, state, or local laws and regulations.
- (2) It conforms to any limitations or exclusions set forth in the contract terms and approved budget, or in applicable state or federal law or regulation.
- (3) It is approved in advance and in writing by the Department, if it is a cost requiring approval.
- (4) It is not an unallowable cost.
- (5) It is consistent with policies, regulations, directives, and procedures of the contractor.
- (6) It is accorded consistent treatment through application of generally accepted accounting principles.
- (7) It is adequately documented in source records such as payroll registers and invoices.
- (8) It is the net of all applicable credits, such as purchase discounts, rebates, and allowances.

COSTS ALLOWABLE WITH PRIOR APPROVAL

Costs described in this section are allowable only if they are approved in advance by the Department. Approval shall be deemed given if the cost is specifically identified in the contract budget or other clause or attachment to the contract. Approval of costs not specifically identified in the contract shall be made by letter or other document which sets forth the nature and amount of the approved cost and the contract for which it is allowed.

- (1) Client cash payments: Any direct cash payments to departmental clients are allowable only with prior written approval of the Department.
- (2) Capital expenditures: Cost of acquiring by purchase or capitalized lease land, buildings, or equipment and cost of repair, remodeling, renovation, or improvements which would materially increase the value or useful life of buildings are allowable only with the prior written approval of the Department.
- (3) Training and education: Cost of training which requires staff to be relieved of regular duties for more than ten working days per training event is allowable only upon prior written approval of the Department.
- (4) Purchase of equipment must be approved in advance by the contract manager. Title to equipment shall vest in the Department of Social and Health Services unless otherwise determined by the contract manager at the time of purchase.

INTEREST EXPENSE

(1) Interest on borrowed funds is treated differently depending on the source of funds reimbursing the cost.

- (a) Costs incurred for interest on borrowed capital or temporary use of endowment funds, however represented, are unallowable as reimbursable costs against a federal grant.
- (b) Interest on borrowed funds is allowable against state funding if the interest expense meets the applicable requirements of this section.
- (2) Interest on borrowed funds used to purchase equipment or real property is allowable against state funding with the prior written approval of the Department.
- (3) Interest on borrowed funds used to create, replenish, or maintain working capital is allowable against state funding, if the following conditions are met:
 - (a) Working capital is depleted due to unusual cash flow, such as abnormally high costs or delays in reimbursement; or working capital has been insufficient for an extended period of time, because the contractor or subcontractor has insufficient eligible income in excess of expenses to accumulate adequate working capital.
 - (b) The borrowed funds are not used to supplant funds which otherwise would be available to finance working capital. Borrowed funds shall be considered to supplant contractor working capital if a decision to deplete working capital is evident, whether the working capital is depleted before or after the arrangements to borrow funds are made.
 - (c) The working capital in aggregate does not exceed ninety days cash flow.
 - (d) The interest expense is approved in advance and in writing by the Department.
 - (4) Approval shall be deemed given if the interest cost is specifically identified in the contract budget or other clause or attachment to the contract. Approval of interest cost not specifically identified in the contract shall be made by letter or other document which sets forth the nature and amount of the approved cost and the contract under which it is allowed.

UNALLOWABLE COSTS

The following costs are unallowable, whether incurred directly by the contractor or any cost related subcontractor:

- (1) Bad debts: Any losses arising from uncollectible accounts and other claims and related costs are unallowable. In double entry accounting systems, write-offs of client fees deemed uncollectible shall be treated as adjustments to revenue.
- (2) Chief executive: The salaries and expenses of the chief executive of a political subdivision are unallowable.
- (3) Contingencies: Contributions to a contingency reserve or any similar provision for unforeseen events.
- (4) Contributions and donations: Costs of a contractor or subcontractor in the form of contributions and donations to other organizations, including costs of donated services and property, are unallowable.

- (5) Depreciation of state financed property: Costs of depreciation of departmental property are unallowable.
- (6) Entertainment: Costs of amusements, social activities, and incidental costs relating thereto such as meals, beverages, lodging, rentals, transportation, and gratuities are unallowable, except for costs of entertainment specifically for departmental clients and necessary expenses of staff who supervise departmental clients on contractor or subcontractor sponsored activities.
- (7) Fines and penalties: Costs resulting from violations of or failure to comply with federal, state, and local laws and regulations are unallowable.
- (8) First class air accommodations: The difference in cost between first class air accommodations and less-than-first class air accommodations is unallowable, except when less-than-first class air accommodations are not reasonably available.
- (9) Fund raising: Costs of organized fund raising are unallowable.
- (10) Legal fees to bring suit against federal or state government: The cost of legal expenses for the prosecution or defense of claims by or against the federal or state government is unallowable.
- (11) Legislative expenses: The salaries and other expenses of county councilmen or councilwomen, supervisors, commissioners, etc., whether incurred for the purposes of the legislation or executive direction, are unallowable.
- (12) Lobbying expenses: The cost of attempting to influence legislation pending before any federal or state legislative body is unallowable except as provided for in RCW 42.17.190.
- (13) Losses: Costs of actual losses which could have been covered either by insurance or by contributions to a self-insurance reserve are unallowable, except for losses not covered under nominal deductible insurance coverage and minor losses not covered by insurance which occur in the ordinary course of operations, such as spoilage and breakage.
- (14) Memberships: Costs of memberships for individuals in civic, business, technical or professional organizations are unallowable. Costs of contractor or subcontractor memberships in any organization whose predominate activity is influencing legislation are unallowable.
- (15) Under-recovery of costs in other contract agreements: Any costs incurred in excess of the federal and state contribution under any other contract agreement is unallowable.

<u>UNALLOWABLE COSTS; FEDERAL ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH</u> SERVICES BLOCK GRANT

- (1) Unless an explicit and specific federal waiver is obtained, the following costs are unallowable under any contract which includes federal alcohol, drug abuse and mental health services block grant funds:
 - (a) Costs of hospital inpatient services;
 - (b) Cash payments to departmental clients;

- (c) Cost of purchase or permanent improvement of land or facilities, other than minor remodeling;
- (d) Cost of purchase of major medical equipment, with an acquisition cost in excess of \$5,000;
- (e) Costs used as cost-sharing or matching for other federal funds requiring nonfederal matching funds;
- (f) Costs of financial assistance to any entity which is not either public or nonprofit; or
- (g) Costs that in effect supplant or otherwise reduce the amount of state or local funds that would have been used for alcoholism, drug abuse or mental health programs in the absence of federal block grant funding. For the purposes of this section, supplantation shall be deemed to occur if the amount of state or local funds used is less than the amount expended during federal fiscal year ending September 30, 1981.
- (h) Carry out any program of distributing sterile needles for the hypodermic injection of any illegal drug or distributing bleach for the purpose of cleansing needles for such hypodermic injection.
- (i) Carry out any testing for the etiologic agent for acquired immune deficiency syndrome (AIDS), unless such testing is accompanied by appropriate pre-test counseling and appropriate post-test counseling.
- (j) EXCESS SALARY: The salary of an individual at a rate in excess of \$120,000 per year pursuant to Section 213 of P.L. 101.517.
- (k) Youth tobacco enforcement.
- The use of federal funds to influence or attempt to influence the award of, or amendment to, any federal contract, grant, loan, or cooperative agreement is prohibited.
 - (a) The use of funds other than federal funds for such purposes shall require the contractor to submit all required federal and state forms disclosing such lobbying activity.
 - (b) The contractor must include this language in any contracts resulting from this agreement and that all subrecipients understand and agree to these terms.
- (3) Costs that are unallowable under subsection (1) of this section are allowable using state funds if all of the following conditions are met:
 - (a) The contract includes state funds at least equal to the total amount of all items of cost under consideration:
 - (b) If the costs are incurred by a subcontractor, the subcontract document clearly indicates only state funds are included in the subcontract; and
 - (c) The cost is otherwise allowed.